

(i) **Maturity:** 40-year stated final maturity, subject to early mandatory redemption from sweep of Transition Charge Revenues (33 year expected maturity from FOMB's May 2018 projections, which may change).

(ii) **Coupon:** 5.25% to be paid in cash, on a tax-exempt basis.

(iii) Any interest not paid when due shall be added to the interest to be paid on the next payment date for such Tranche A Bonds. Interest shall accrue on overdue principal and interest at the coupon rate, compounding semi-annually.

(iv) The obligation to pay the Tranche A Bonds (including accrual and compounding, as applicable of interest) will extend beyond the stated final maturity if not paid in full on the stated final maturity until all principal of, and accrued and unpaid interest on, the Tranche A Bonds is paid in full.

VI. Tranche B Bonds.

a) There will be a tranche of Securitization Bonds known as the Tranche B Bonds (the "**Tranche B Bonds**"), with the following maturities and coupons:

(i) **Maturity:** 47-year stated final maturity.

(ii) **Coupon:** 7.00% accretion rate for tax-exempt bonds; 8.75% for taxable bonds.⁵

(iii) Interest on Tranche B Bonds shall be paid in additional Tranche B Bonds in a principal amount equal to the unpaid balance of Tranche B Bond interest due (such payment of interest on Tranche B Bonds referred to as "**PIK Payments**").

(iv) No cash flow on Tranche B bonds until Tranche A paid in full.

(v) Tranche B Bonds shall receive 100% of total excess cash flow from the Transition Charge (including any cash on deposit in the DSRF) after repayment of the Tranche A Bonds until maturity.

(vi) Any amounts on such Tranche B Bonds not paid with Transition Charge Revenues imposed prior to the stated final maturity of the Tranche B Bonds shall not be recoverable by Bondholders.

⁵ The Government Parties shall work in good faith to try to obtain tax-exempt status for the Tranche B Bonds or as great a portion thereof as possible or, to the extent the Tranche B Bonds are not tax-exempt to work in good faith to minimize the tax impacts thereof; provided that the Government Parties shall not be required to change or modify the terms of any Transformation Transaction or incur any additional material costs to achieve such a result. A majority of the Ad Hoc Group, with the agreement of the Government Parties, may elect to alter the structure of the Tranche B Bonds received by holders of Uninsured Bonds to maximize tax exemption and minimize tax issues while otherwise maintaining equivalent economics.

VII. Assured Treatment.⁶

The Plan shall provide for the following treatments with respect to Assured on the account of the Assured Insured Bonds, the Uninsured Bonds identified on Assured's signature page hereto that are beneficially owned by Assured, and the Assured Insured Interest Rate Swaps, which treatments shall be selected by Assured in its sole discretion on or prior to the hearing on the disclosure statement:

a) **Assured Election**: At Assured's election (the "**Assured Election**"), all or any portion of the Assured Insured Bonds selected by Assured shall be paid, in full, on the Effective Date, at an acceleration price (the "**Acceleration Price**") equal to the outstanding principal amount of such Bonds plus the accrued and unpaid interest thereon (or, in the case of any capital appreciation bonds, the compounded amount thereof) as of the Effective Date from (a) the proceeds of all or any portion of the Assured Securitization Bonds allocable to holders of Assured Insured Bonds that shall be (i) insured, at Assured's election, in accordance with a new insurance policy issued by Assured on terms acceptable to Assured, (ii) underwritten in an "offering" within the meaning of SEC Rule 15c2-12 and (iii) sold into the market such that they are issued and delivered to such underwriter(s) on the Effective Date, and (b) to the extent such proceeds of Assured Securitization Bonds are not sufficient to pay the Acceleration Price, amounts equal to such deficiency paid by Assured in accordance with the insurance policies (the "**Assured Insurance Policies**") guaranteeing the Assured Insured Bonds. In addition, at Assured's election, all or any of Assured Securitization Bonds allocable to Assured as a beneficial owner of Uninsured Bonds identified on Assured's signature page hereto, or that Assured is otherwise entitled to receive in accordance with the terms of this Definitive RSA, shall be insured, offered and underwritten in the same manner as Assured Securitization Bonds allocable to holders of Assured Insured Bonds would be required to be insured, offered and underwritten if Assured exercised the Assured Election in respect of such Assured Insured Bonds, and any proceeds of the sale of such Assured Securitization Bonds shall be transferred to Assured. The principal amounts, maturities and interest rates on the Assured Securitization Bonds in respect of which any of the foregoing elections is exercised, shall be determined by Assured in consultation with applicable underwriter(s), such that the interest rates on the Assured Securitization Bonds shall be the lowest interest rates necessary for such Assured Securitization Bonds to be issued with increased par amounts relative to other Securitization Bonds and otherwise result in the Assured Securitization Bonds being issued at the lowest aggregate yield; provided, however, that the annual debt service on the Assured Securitization Bonds due in any fiscal year shall not be greater than the annual debt service that would have been due in such fiscal year if such Assured Securitization Bonds had the same terms as the other Securitization Bonds. The costs associated with the issuance of the Assured Securitization

⁶ Transition Charge, DSRF, and surety repayments allocable to Assured [Securitization Bonds, National Securitization Bonds, Syncora](#) Securitization Bonds and swap counterparty security must be segregated from Transition Charge and DSRF allocable to Uninsured Bonds and separately accounted for in a manner agreed to by the Required Parties, so that Assured Treatment, [National Treatment, Syncora Treatment](#) and swap counterparty treatment do not affect recoveries on Uninsured Bonds and vice versa. For avoidance of doubt, the Uninsured Bond Transition Charge or allocation must be set at levels sufficient to cover debt service in respect of Securitization Bonds allocable to the Uninsured Bonds, and Assured's Transition Charge or allocation must be set at levels sufficient to cover both debt service and premiums in respect of Assured Securitization Bonds and otherwise to provide for the Assured Treatment.

Bonds (including the fees and compensation of the applicable underwriter(s)) shall be paid by PREPA and shall not be withheld from the proceeds of the Assured Securitization Bonds. The offering and underwriting of the Assured Securitization Bonds shall be provided for in the Plan or in connection with providing the Stipulated Treatment, provided, however, that if either (i) at or prior to the time of pricing of Assured Securitization Bonds, Assured determines, based on its good faith evaluation of the circumstances, that Assured Securitization Bonds cannot be sold into the market on terms acceptable to Assured or (ii) such Assured Securitization Bonds are not issued to the underwriter(s) for any reason, then in either case, Assured (A) may elect, in its sole discretion, to pay the applicable Acceleration Price (such payment election, the “**Assured Acceleration Price Payment Option**”) to the holders of any Assured Insured Bonds with respect to which Assured has exercised the Assured Election, and (B) shall receive, on the Effective Date, the Assured Securitization Bonds in respect of which the Assured Acceleration Price Payment Option is exercised and any other Assured Securitization Bonds allocable to Assured or the Assured is otherwise entitled to receive hereunder, which Assured Securitization Bonds may, at Assured’s election, be insured in accordance with a new insurance policy issued by Assured on terms acceptable to it. The Plan shall provide that payment of the applicable Acceleration Price with respect to any Assured Insured Bond in accordance with the Assured Election shall satisfy and discharge all of Assured’s obligations under the Assured Insurance Policies with respect to such Assured Insured Bond.

b) **Assured Bondholder Elections:** In the event that Assured declines to make the Assured Election with respect to any Assured Insured Bonds as described above (or makes the Assured Election but declines to exercise the Assured Acceleration Price Payment Option upon the occurrence of any event that gives Assured the right to exercise such option as described above), the plan or Stipulated Treatment provision may offer each beneficial holder of an Assured Insured Bond with respect to which Assured has not made the Assured Election any one or more of the following options (collectively, the “**Assured Bondholder Elections**”), in each case on terms acceptable to Assured: (1) Assured Bondholder Election 1, pursuant to which such holder shall receive from Assured the applicable Acceleration Price on the Effective Date in full satisfaction and discharge of Assured’s obligations with respect to such holder under the applicable Assured Insurance Policies, and Assured shall receive Assured Securitization Bonds allocable to such holder under the plan that may, at Assured’s election, be insured in accordance with a new insurance policy issued by Assured on terms acceptable to it; (2) Assured Bondholder Election 2, pursuant to which such holder shall opt into a custodial trust, escrow arrangement, or similar structure established by Assured that would provide such holder with an interest in the applicable Assured Insurance Policy and Assured Securitization Bonds allocable to such holder in accordance with terms acceptable to Assured; or (3) Assured Bondholder Election 3, pursuant to which such holder shall, on the Effective Date, and in full satisfaction of Assured’s obligations under the applicable Assured Insurance Policies, receive (i) the Assured Securitization Bonds allocable to such holder under the plan, which Assured Securitization Bonds may, at Assured’s election, be insured in accordance with a new insurance policy issued by Assured on terms acceptable to Assured, and (ii) a cash payment from Assured in an amount to be determined or defined by Assured prior to the hearing on the disclosure statement. The Assured Bondholder Elections offered to Assured Insured Bondholders shall include at least either Assured Bondholder Election 1 or Assured Bondholder Election 2. In the event that Assured Bondholder Election 1 is not one of the options offered, the structure, terms, and conditions of the custodial trust, escrow arrangement or similar structure established as part of Assured Bondholder Election

2 must be reasonably acceptable to Assured and the Government Parties and the interests granted therein must be DTC eligible, provided that such custodial trust, escrow arrangement or similar structure will be deemed to be reasonably acceptable to the Government Parties if it is consistent with either one of the structures set forth in Annex B hereto. The Definitive RSA will provide that in the event an Assured Bondholder fails to make an election such Assured Bondholder is deemed to have elected Election 2 (unless otherwise provided in the Plan).

c) **DSRF Surety**: Assured may, at its election, provide a DSRF surety to satisfy the DSRF requirement with respect to Tranche A Bonds that are Assured Securitization Bonds, which DSRF surety will be in effect during the entire term of such Tranche A Bonds. Any reimbursement obligation with respect to such DSRF surety will be secured and payable from the portion of the Transition Charge allocable to Assured Securitization Bonds, subordinate only to interest on Tranche A Bonds secured by such DSRF Surety. In exchange for such DSRF surety, Assured will be entitled to receive (i) additional Tranche A Bonds having a principal amount equal to the present value of the projected cash flow that would fund the DSRF requirement with respect to Tranche A Bonds that are Assured Securitization Bonds in the absence of the DSRF surety from Transition Charge excess cash following interest paid on Tranche A Bonds, and (ii) an upfront one-time DSRF surety fee equal to 2% of the DSRF requirement with respect to Tranche A Bonds that are Assured Securitization Bonds. Such DSRF Surety shall only secure the Tranche A Bonds that are Assured Securitization Bonds.

d) **Insurance Premiums**: To the extent that Assured insures any Assured Securitization Bonds, Assured will be entitled to receive a premium that (a) in the case of any Tranche A Bonds that it insures, will be payable in each year during which such Tranche A Bonds are outstanding, will be equal to 0.50% per annum of the principal amount of such Tranche A Bonds that were outstanding as of the first day of such year and will be payable from and secured by the Transition Charge revenues on a *pari passu* basis with interest on Tranche A Bonds, and (b) in the case of any Tranche B Bonds that it insures, will be a one-time premium payable in form of Tranche A Bonds having a principal amount equal to 2% of the expected aggregate cash flow of such Tranche B Bonds.

VIII. Call Protection.

a) Tranche A Bonds: Callable starting on the first interest payment date after the tenth anniversary of the issuance date.

b) Tranche B Bonds: Starting on the first interest payment date after the tenth anniversary of the issuance date, callable at the product of (i) the accreted value of the Tranche B Bonds at the date of redemption, multiplied by (ii) the Tranche B Call Premium. "Tranche B Call Premium" shall be (i) 110% for the twelve-month period starting on the first call date, (ii) 109.5% for the next twelve-month period and (iii) shall continue to decline by 0.5% each twelve-month period thereafter until it reaches 100%.

IX. Debt Service Reserve Fund ("DSRF").

a) The DSRF requirement shall be set at 5% of principal amount of the Tranche A Bonds.

b) DSRF will be funded through first dollars from Transition Charge excess cash following interest paid on Tranche A Bonds.

X. Payment Default.

a) No default on Tranche A Bonds for failure to pay scheduled debt service prior to maturity, so long as full amount collected under the Transition Charge (minus administrative fees) is used to pay debt service. Interest shall continue to accrue (and compound, as applicable) at the original Coupon rate.

b) No default on Tranche B Bonds for failure to pay debt service, so long as full amount collected under the Transition Charge (minus administrative fees) is used to pay debt service. Interest shall continue to accrue (and pay-in-kind, as applicable) and accrete at the original Coupon rate.

c) The Transition Charge shall extend, and interest shall continue to accrue (and compound or pay-in-kind, as applicable) at the original Coupon rate, until the “**Transition Charge Termination**,” which shall be the later of (1) the date necessary to pay the Tranche A Bonds in full, even if past their stated maturity, and (2) the earlier of (i) the stated maturity of the Tranche B Bonds, and (ii) the date on which the Tranche B Bonds are paid in full.

XI. Remedies.

a) Remedies will be mutually agreed upon in the Definitive Documentation or Additional Definitive Documentation and will include, at a minimum, the right to replace the Transition Charge servicer and the right to enforce the Securitization Bonds’ trust agreement’ the servicing agreement, and non-impairment covenants. Requirements for replacement servicer to be mutually agreed upon as part of Definitive Documentation.

XII. Securitization Protections (including structure of SPV).

a) As set forth in Schedule I-B to the Securitization Term Sheet.

XIII. Administrative Fees.

a) Terms, structure, and cap on administrative fees to be mutually agreed upon.

XIV. Demand Protections.

a) As set forth in Schedule I-A to the Securitization Term Sheet.

XV. Syncora Treatment.

The Plan shall provide for the following treatments with respect to Syncora on the account of the Syncora Insured Bonds and the Uninsured Bonds identified on Syncora’s signature page hereto that are beneficially owned by Syncora, which treatments shall be selected

by Syncora in its sole discretion on or prior to the hearing on the disclosure statement:

a) Syncora Election: At Syncora's election (the "**Syncora Election**"), all or any portion of the Syncora Insured Bonds selected by Syncora shall be paid, in full, on the Effective Date, at the Acceleration Price from (a) the proceeds of all or any portion of the Syncora Securitization Bonds allocable to holders of Syncora Insured Bonds that shall be (i) insured, at Syncora's election, in accordance with a new insurance policy issued by Syncora on terms acceptable to Syncora; provided, however, Syncora may only insure any portion of the Syncora Securitization Bonds if (A) such insurance is for a term of no less than one year, and (B) the interest rate on such insured Securitization Bonds shall be at least 35 basis points lower than on uninsured Securitization Bonds, as determined by the applicable underwriter retained in connection with the sale of insured Securitization Bonds into the public market and the financial advisor to the FOMB (both (A) and (B) collectively, the "**Insurance Conditions**"), (ii) underwritten in an "offering" within the meaning of SEC Rule 15c2-12 and (iii) sold into the market such that they are issued and delivered to such underwriter(s) on the Effective Date, and (b) to the extent such proceeds of Syncora Securitization Bonds are not sufficient to pay the Acceleration Price, amounts equal to such deficiency paid by Syncora in accordance with the insurance policies (the "**Syncora Insurance Policies**") guaranteeing the Syncora Insured Bonds. In addition, at Syncora's election (but subject to the Insurance Conditions), all or any of Syncora Securitization Bonds allocable to Syncora as a beneficial owner of Uninsured Bonds identified on Syncora's signature page hereto, or that Syncora is otherwise entitled to receive in accordance with the terms of this Definitive RSA, shall be insured, offered and underwritten in the same manner as Syncora Securitization Bonds allocable to holders of Syncora Insured Bonds would be required to be insured, offered and underwritten if Syncora exercised the Syncora Election in respect of such Syncora Insured Bonds, and any proceeds of the sale of such Syncora Securitization Bonds shall be transferred to Syncora. The principal amounts, maturities and interest rates on the Syncora Securitization Bonds in respect of which any of the foregoing elections is exercised, shall be determined by Syncora in consultation with the applicable underwriter(s), such that the interest rates on the Syncora Securitization Bonds shall be the lowest interest rates necessary for such Syncora Securitization Bonds to be issued with increased par amounts relative to other Securitization Bonds and otherwise result in the Syncora Securitization Bonds being issued at the lowest aggregate yield; provided, however, that the annual debt service on the Syncora Securitization Bonds due in any fiscal year shall not be greater than the annual debt service that would have been due in such fiscal year if such Syncora Securitization Bonds had the same terms as the other Securitization Bonds. The costs associated with the issuance of the Syncora Securitization Bonds (including the fees and compensation of the applicable underwriter(s)) shall be paid by PREPA and shall not be withheld from the proceeds of the Syncora Securitization Bonds. The offering and underwriting of the Syncora Securitization Bonds shall be provided for in the Plan or in connection with providing the Stipulated Treatment, provided, however, that if either (i) at or prior to the time of pricing of Syncora Securitization Bonds, Syncora determines, in its sole discretion, that Syncora Securitization Bonds should not be sold into the market or (ii) such Syncora Securitization Bonds are not issued to the underwriter(s) for any reason, then in either case, Syncora (A) may elect, in its sole discretion, to pay the applicable Acceleration Price (such payment election, the "**Syncora Acceleration Price Payment Option**") to the holders of any Syncora Insured Bonds with respect to which Syncora has exercised the Syncora Election, and (B) shall receive, on the Effective Date, the Syncora Securitization Bonds in respect of which the Syncora Acceleration

Price Payment Option is exercised and any other Syncora Securitization Bonds allocable to Syncora or that Syncora is otherwise entitled to receive hereunder, which Syncora Securitization Bonds may, at Syncora's election, be insured in accordance with a new insurance policy issued by Syncora on terms acceptable to it, subject to the Insurance Conditions. The Plan shall provide that payment of the applicable Acceleration Price with respect to any Syncora Insured Bond in accordance with the Syncora Election shall satisfy and discharge all of Syncora's obligations under the Syncora Insurance Policies with respect to such Syncora Insured Bond.

b) Syncora Bondholder Elections: In the event that Syncora declines to make the Syncora Election with respect to any Syncora Insured Bonds as described above (or makes the Syncora Election but declines to exercise the Syncora Acceleration Price Payment Option upon the occurrence of any event that gives Syncora the right to exercise such option as described above), the Plan or Stipulated Treatment provision may offer each beneficial holder of an Syncora Insured Bond with respect to which Syncora has not made the Syncora Election any one or more of the following options (collectively, the "**Syncora Bondholder Elections**"), in each case on terms acceptable to Syncora: (1) Syncora Bondholder Election 1, pursuant to which such holder shall receive from Syncora the applicable Acceleration Price on the Effective Date in full satisfaction and discharge of Syncora's obligations with respect to such holder under the applicable Syncora Insurance Policies, and Syncora shall receive Syncora Securitization Bonds allocable to such holder under the Plan that may, at Syncora's election, be insured in accordance with a new insurance policy issued by Syncora on terms acceptable to it; (2) Syncora Bondholder Election 2, pursuant to which such holder shall opt into a custodial trust, escrow arrangement, or similar structure established by Syncora that would provide such holder with an interest in the applicable Syncora Insurance Policy and Syncora Securitization Bonds allocable to such holder in accordance with terms acceptable to Syncora; or (3) Syncora Bondholder Election 3, pursuant to which such holder shall, on the Effective Date, and in full satisfaction and discharge of Syncora's obligations under the applicable Syncora Insurance Policies, receive (i) the Syncora Securitization Bonds allocable to such holder under the Plan, which Syncora Securitization Bonds may, at Syncora's election, be insured in accordance with a new insurance policy issued by Syncora on terms acceptable to Syncora, and (ii) additional consideration from Syncora in the form of cash or Syncora Securitization Bonds that Syncora is otherwise entitled to receive, in the sole discretion of Syncora, in an amount to be determined or defined by Syncora prior to the hearing on the disclosure statement. Any new insurance policy issued by Syncora pursuant to any of the Syncora Bondholder Elections under this Agreement must be for a term of no less than one year and the interest rate on such insured Syncora Securitization Bond must be the lesser of (y) the interest rate determined by the Insurance Conditions, if applicable, and (z) 35 basis points lower than the interest rate on the corresponding tranche of uninsured Securitization Bonds. The Syncora Bondholder Elections offered to Syncora Insured Bondholders shall include at least either Syncora Bondholder Election 1 or Syncora Bondholder Election 2. In the event that Syncora Bondholder Election 1 is not one of the options offered, the structure, terms, and conditions of the custodial trust, escrow arrangement or similar structure established as part of Syncora Bondholder Election 2 must be reasonably acceptable to Syncora and the Government Parties and the interests granted therein must be DTC eligible, provided that such custodial trust, escrow arrangement or similar structure will be deemed to be reasonably acceptable to the Government Parties if it is consistent with either one of the structures set forth in Annex B hereto. In the event a Syncora Bondholder fails to make a timely election or makes an election for less than all of its Syncora Insured Bonds, such Syncora Bondholder will be deemed to have

elected Election 3 with respect to Syncora Insured Bonds not subject to a timely election (unless otherwise provided in the Plan).

c) DSRF Surety: Syncora may, at its election, provide a DSRF surety to satisfy the DSRF requirement with respect to Tranche A Bonds that are Syncora Securitization Bonds, which DSRF surety will be in effect during the entire term of such Tranche A Bonds. Any reimbursement obligation with respect to such DSRF surety will be secured and payable from the portion of the Transition Charge allocable to Syncora Securitization Bonds, subordinate only to interest on Tranche A Bonds secured by such DSRF Surety. In exchange for such DSRF surety, Syncora will be entitled to receive (i) additional Tranche A Bonds having a principal amount equal to the present value of the projected cash flow that would fund the DSRF requirement with respect to Tranche A Bonds that are Syncora Securitization Bonds in the absence of the DSRF surety from Transition Charge excess cash following interest paid on Tranche A Bonds, and (ii) an upfront one-time DSRF surety fee equal to 2% of the DSRF requirement with respect to Tranche A Bonds that are Syncora Securitization Bonds. Such DSRF Surety shall only secure the Tranche A Bonds that are Syncora Securitization Bonds.

d) Insurance Premiums: To the extent that Syncora insures any Syncora Securitization Bonds, Syncora will be entitled to receive a premium that (a) in the case of any Tranche A Bonds that it insures, will be payable in each year during which such Tranche A Bonds are outstanding, will be equal to 0.50% per annum of the principal amount of such Tranche A Bonds that were outstanding as of the first day of such year and will be payable from and secured by the Transition Charge revenues on a *pari passu* basis with interest on Tranche A Bonds, and (b) in the case of any Tranche B Bonds that it insures, will be a one-time premium payable in form of Tranche A Bonds having a principal amount equal to 2% of the expected aggregate cash flow of such Tranche B Bonds. If Syncora cannot insure Syncora Securitization Bonds because of the failure to satisfy the Insurance Conditions, then Syncora **shall not be entitled to** an insurance premium.

XVI. National Treatment.

The Plan shall provide for the following treatments with respect to National on the account of the National Insured Bonds and the Uninsured Bonds identified on National's signature page hereto that are beneficially owned by National, which treatments shall be selected by National in its sole discretion on or prior to the hearing on the disclosure statement:

a) National Election: At National's election (the "National Election"), all or any portion of the National Insured Bonds selected by National shall be paid, in full, on the Effective Date, at the Acceleration Price from (a) the proceeds of all or any portion of the National Securitization Bonds allocable to holders of National Insured Bonds that shall be (i) insured, at National's election, in accordance with a new insurance policy issued by National on terms acceptable to National; provided, however, National may only insure any portion of the National Securitization Bonds if the Insurance Conditions are satisfied, (ii) underwritten in an "offering" within the meaning of SEC Rule 15c2-12 and (iii) sold into the market such that they are issued and delivered to such underwriter(s) on the Effective Date, and (b) to the extent such proceeds of National Securitization Bonds are not sufficient to pay the Acceleration Price, amounts equal to such deficiency paid by National in accordance with the insurance policies (the "National

Insurance Policies”) guaranteeing the National Insured Bonds. In addition, at National’s election (but subject to the Insurance Conditions), all or any of National Securitization Bonds allocable to National as a beneficial owner of Uninsured Bonds identified on National’s signature page hereto, or that National is otherwise entitled to receive in accordance with the terms of this Definitive RSA, shall be insured, offered and underwritten in the same manner as National Securitization Bonds allocable to holders of National Insured Bonds would be required to be insured, offered and underwritten if National exercised the National Election in respect of such National Insured Bonds, and any proceeds of the sale of such National Securitization Bonds shall be transferred to National. The principal amounts, maturities and interest rates on the National Securitization Bonds in respect of which any of the foregoing elections is exercised, shall be determined by National in consultation with the applicable underwriter(s), such that the interest rates on the National Securitization Bonds shall be the lowest interest rates necessary for such National Securitization Bonds to be issued with increased par amounts relative to other Securitization Bonds and otherwise result in the National Securitization Bonds being issued at the lowest aggregate yield; provided, however, that the annual debt service on the National Securitization Bonds due in any fiscal year shall not be greater than the annual debt service that would have been due in such fiscal year if such National Securitization Bonds had the same terms as the other Securitization Bonds. The costs associated with the issuance of the National Securitization Bonds (including the fees and compensation of the applicable underwriter(s)) shall be paid by PREPA and shall not be withheld from the proceeds of the National Securitization Bonds. The offering and underwriting of the National Securitization Bonds shall be provided for in the Plan or in connection with providing the Stipulated Treatment, provided, however, that if either (i) at or prior to the time of pricing of National Securitization Bonds, National determines, based on its good faith evaluation of the circumstances, that National Securitization Bonds cannot be sold into the market on terms acceptable to National or (ii) such National Securitization Bonds are not issued to the underwriter(s) for any reason, then in either case, National (A) may elect, in its sole discretion, to pay the applicable Acceleration Price (such payment election, the “**National Acceleration Price Payment Option**”) to the holders of any National Insured Bonds with respect to which National has exercised the National Election, and (B) shall receive, on the Effective Date, the National Securitization Bonds in respect of which the National Acceleration Price Payment Option is exercised and any other National Securitization Bonds allocable to National or that National is otherwise entitled to receive hereunder, which National Securitization Bonds may, at National’s election, be insured in accordance with a new insurance policy issued by National on terms acceptable to it, subject to the Insurance Conditions. The Plan shall provide that payment of the applicable Acceleration Price with respect to any National Insured Bond in accordance with the National Election shall satisfy and discharge all of National’s obligations under the National Insurance Policies with respect to such National Insured Bond.

b) **National Bondholder Elections:** In the event that National declines to make the National Election with respect to any National Insured Bonds as described above (or makes the National Election but declines to exercise the National Acceleration Price Payment Option upon the occurrence of any event that gives National the right to exercise such option as described above), the Plan or Stipulated Treatment provision may offer each beneficial holder of an National Insured Bond with respect to which National has not made the National Election any one or more of the following options (collectively, the “**National Bondholder Elections**”), in each case on terms acceptable to National: (1) National Bondholder Election 1, pursuant to

which such holder shall receive from National the applicable Acceleration Price on the Effective Date in full satisfaction and discharge of National's obligations with respect to such holder under the applicable National Insurance Policies, and National shall receive National Securitization Bonds allocable to such holder under the Plan that may, at National's election, be insured in accordance with a new insurance policy issued by National on terms acceptable to it; (2) National Bondholder Election 2, pursuant to which such holder shall opt into a custodial trust, escrow arrangement, or similar structure established by National that would provide such holder with an interest in the applicable National Insurance Policy and National Securitization Bonds allocable to such holder in accordance with terms acceptable to National; or (3) National Bondholder Election 3, pursuant to which such holder shall, on the Effective Date, and in full satisfaction and discharge of National's obligations under the applicable National Insurance Policies, receive (i) the National Securitization Bonds allocable to such holder under the Plan, which National Securitization Bonds may, at National's election, be insured in accordance with a new insurance policy issued by National on terms acceptable to National, and (ii) additional consideration from National in the form of cash or National Securitization Bonds that National is otherwise entitled to, in the sole discretion of National, in an amount to be determined or defined by National prior to the hearing on the disclosure statement. Any new insurance policy issued by National pursuant to any of the National Bondholder elections under this Agreement must be for a term of no less than one year and the interest rate on such insured National Securitization Bonds must be the lesser of (y) the interest rate determined by the Insurance Conditions, if applicable, and (z) 35 basis points lower than the interest rate on the corresponding tranche of uninsured Securitization Bonds. The National Bondholder Elections offered to National Insured Bondholders shall include at least either National Bondholder Election 1 or National Bondholder Election 2. In the event that National Bondholder Election 1 is not one of the options offered, the structure, terms, and conditions of the custodial trust, escrow arrangement or similar structure established as part of National Bondholder Election 2 must be reasonably acceptable to National and the Government Parties and the interests granted therein must be DTC eligible, provided that such custodial trust, escrow arrangement or similar structure will be deemed to be reasonably acceptable to the Government Parties if it is consistent with either one of the structures set forth in Annex B hereto. In the event a National Bondholder fails to make a timely election or makes an election for less than all of its National Insured Bonds, such National Bondholder will be deemed to have elected Election 3 for all National Insured Bonds not subject to a timely election (unless otherwise provided in the Plan).

c) DSRF Surety: National may, at its election, provide a DSRF surety to satisfy the DSRF requirement with respect to Tranche A Bonds that are National Securitization Bonds, which DSRF surety will be in effect during the entire term of such Tranche A Bonds. Any reimbursement obligation with respect to such DSRF surety will be secured and payable from the portion of the Transition Charge allocable to National Securitization Bonds, subordinate only to interest on Tranche A Bonds secured by such DSRF Surety. In exchange for such DSRF surety, National will be entitled to receive (i) additional Tranche A Bonds having a principal amount equal to the present value of the projected cash flow that would fund the DSRF requirement with respect to Tranche A Bonds that are National Securitization Bonds in the absence of the DSRF surety from Transition Charge excess cash following interest paid on Tranche A Bonds, and (ii) an upfront one-time DSRF surety fee equal to 2% of the DSRF requirement with respect to Tranche A Bonds that are National Securitization Bonds. Such DSRF Surety shall only secure the Tranche A Bonds that are National Securitization Bonds.

d) Insurance Premiums: To the extent that National insures any National Securitization Bonds, National will be entitled to receive a premium that (a) in the case of any Tranche A Bonds that it insures, will be payable in each year during which such Tranche A Bonds are outstanding, will be equal to 0.50% per annum of the principal amount of such Tranche A Bonds that were outstanding as of the first day of such year and will be payable from and secured by the Transition Charge revenues on a *pari passu* basis with interest on Tranche A Bonds, and (b) in the case of any Tranche B Bonds that it insures, will be a one-time premium payable in form of Tranche A Bonds having a principal amount equal to 2% of the expected aggregate cash flow of such Tranche B Bonds. If National cannot insure National Securitization Bonds because of the failure to satisfy the Insurance Conditions, then National shall not be entitled to an insurance premium.

